

**From:** Mark Reynolds <mreynolds@etvnet>  
**To:** Pam Grubaugh-Littig <pamgrubaughlittig@utah.gov>  
**Date:** 7/8/2005 11:24:08 AM  
**Subject:** annual report

## CO-OP MINING COMPANY

P.O. Box 1245  
Huntington, Utah 84528

Office (435) 687-2450  
FAX (435) 687-5724

July 5, 2005

Coal Program  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

Pam Grubaugh-Littig,

**Re: Permit Renewal, Bear Canyon Mine, C/015/025**

We would like to request a renewal of our mining and reclamation permit. We have included a copy of the current liability insurance, current performance bond, current ownership and control, and proposed publication as required under R645-301-230. Once you have approved the wording of the public notice we will have it printed and mail a copy of the newspaper article to you. You additionally requested that we update our violation information. The incidental boundary change amendment, being reviewed by Pete Hess, includes all NOV's except for N-05-46-1-1 which was issued 4-15-05. We have not yet received an assessment for this NOV.

We expect to submit a federal lease addition amendment before the end of the week. This amendment will contain NOV # N-05-46-1-1. This amendment will also require us to update the bond with the new permit area. It should be noted that this amendment was done under the new reformatted version of the MRP which has not yet been approved.

If you have any questions, please call me at (435) 687-2450.

Thank You,



Charles Reynolds, PE  
Resident Agent

**Proposed Public Notice.**

Co-Op Mining Company, PO Box 1245, Huntington Utah, 84528 hereby announces its intent to renew its coal mine and reclamation permit for coal mining activities at the Bear Canyon Mine, Permit No. ACT/015/025, issued Nov. 1, 1985. The Bear Canyon Mine, is located in Bear Canyon, approximately 12 road miles west of Huntington, Utah. The permit area, found on the USGS Hiawatha Quadrangle map, is described as follows: T16S, R7E, SLBM, W1/4 sec. 13, S1/2, NE1/4 sec. 14, E1/2, E1/2W1/2 sec. 23, All except the NE1/4NE1/4 sec. 24, all of sec. 25, NE1/4NE1/4, NW1/4NE1/4, N1/2SW1/4NE1/4 and the access/haul road as shown on Plate 2-1 of the Bear Canyon Mining and Reclamation Plan. T16S, R7E, SLBM S1/2NW1/4. SW1/4, SW1/4SE1/4 sec. 19, W1/2, W1/2NE1/4, NW1/4SE1/4 sec. 30, NE1/4NW1/4, NW1/4NE1/4 sec. 31. Written comments, objections, or requests for informal conferences should be directed to the Utah Division of Oil, Gas & Mining, PO Box 145801, Salt Lake City, Utah 84114-5801. Copies of the renewal application are available for public inspection at the office of the Utah Division of Oil, Gas & Mining, Salt Lake City and at the Emery County Recorders office, Emery County Courthouse, Castle Dale, Utah 84513.

Published in the (newspaper name) (dates of publication)

JAN-21-2005 09:40 FROM:DIU OIL GAS MINING 1 435 613 1152 TO:14356875724  
JAN 18 03 WED 12:31 PM DENNISON INITIALS INS FMA NO. 001 203 8010

P.1  
F. UC  
DATE(MM/DD/YYYY)  
1/19/2005

ACORD. CERTIFICATE OF LIABILITY INSURANCE

PRODUCER  
BENNION-TAYLOR INSURANCE  
461 WEST MURRAY BLVD  
MURRAY, UT 84123  
801-263-9883

INSURED  
CO-OP MINING  
C W MINING  
PO BOX 65809  
SALT LAKE CITY, UT 84165

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE  
INSURER A: AIG  
INSURER B:  
INSURER C:  
INSURER D:  
INSURER E:

NAIC#

COVERAGES

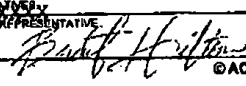
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

UNIT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMSMADE <input checked="" type="checkbox"/> OCCUR	3602136	01-01-05	01-01-06	EACH OCCURRENCE \$ 1,000,000	
	TENANTS TO RENTED PREMISES (Ea. occurrence)				\$ 100,000	
	MED EXP (Any one person)				\$ 10,000	
	PERSONAL & ADV INJURY				\$ 1,000,000	
	GENERAL AGGREGATE				\$ 2,000,000	
	PRODUCTS - COMPOD AGG	\$ 1,000,000				
	GENL AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PER <input type="checkbox"/> LOC					
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS	RECEIVED JAN 19 2005 OGM PRICE FIELD OFFICE			COMBINED SINGLE UNIT (Ea. accident)	\$
	BODILY INJURY (Per person)				\$	
	BODILY INJURY (Per accident)				\$	
	PROPERTY DAMAGE (Per accident)				\$	
	AUTO ONLY - EA ACCIDENT				\$	
	GARAGE LIABILITY ANY AUTO				OTHER THAN FA ACC \$ AUTO ONLY: AGG \$	
	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMSMADE <input type="checkbox"/> DEDUCTIBLE RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPERTY OR PARTNERSHIP/EXECUTIVE OFFICER/ADMINISTRATIVE EXCLUDED If yes, describe under SPECIAL PROVISIONS below OTHER				EL STATUS - 100% LIMITS 01% FR EL EACH ACCIDENT \$ EL DISEASE - EA EMPLOYEE \$ EL DISEASE - POLICY LIMIT \$	
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS DAMAGE FROM THE USE OF EXPLOSIVES IS INCLUDED						

CERTIFICATE HOLDER

DIVISION OF OIL, GAS MINING  
1594 WEST NORTH TEMPLE  
P.O. BOX 145801  
SALT LAKE CITY, UT. 84114-5801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL CANCEL WITHIN 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT. NOT VALID TO SOLELY BE USED FOR CANCELLATION OR FOR ANY OTHER PURPOSE. THIS CERTIFICATE IS NOT VALID UNLESS IT IS SIGNED BY AN AUTHORIZED REPRESENTATIVE.  
  
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Post-it® Fax Note 7671 Date 1/21/05 # of pages 1

To Mark Reynolds

From Pete Hess

Co./Dept. CW

Co.

Phone # Mining

Phone #

CL50900016

This chapter provides relevant and required information about the ownership and control of persons operating the Bear Canyon Mine, ownership and control of lands in the permit area, compliance status and history of the mines and their owners and operators, insurance and performance bonds, applicable licenses and status of permits and filings and public notices of this application.

Permit Applicant:

CO-OP MINING CO.  
53 West Angelo Ave  
Salt Lake City, Utah 84115  
Tele. 801-486-5047

NOTE:C.W. Mining Co. is doing business as (DBA) Co-Op Mining Company (Co-Op).

Land and Coal Owner:

C.O.P. Coal Development Co.  
3212 South State Street  
Salt Lake City, Utah 84115

Plate 2-1 shows the Permit Area, Plate 2-2 shows Surface Ownership, Plate 2-3 shows Sub-Surface Ownership, and Plate 2-4 shows Surface Facilities. The initials COP on the plates stand for C.O.P. Coal Development Company. Table 2-1 lists the owners of the surface and mineral property rights within the permit area.

	<u>Surface</u>	<u>Coal</u>	<u>Minerals</u>	<u>Grazing</u>	<u>Oil &amp; Gas</u>
A	1	11	1		1
B	2	33	2		3
C	1	33	1		3
D	3	33	3		3
1.	C.O.P. Coal Development Co. 3212 South State Street Salt Lake City, Utah 84115				
2.	U.S. Forest Service 599 W. Price River Drive Price, Utah 84501				
3.	Bureau of Land Management 125 South 600 West Price, Utah 84501				

See Plate 2-2 for location of areas A, B, C and D.

Federal lease U-024316, U-020668 and U-38727 are held by C.O.P. Coal Development Co. Fee Surface Area and Fee and Federal Coal Rights are leased by Co-Op Mining Company from C.O.P. Coal Development Co. (See letter from C.O.P. Coal Development Company, Appendix 2-B). Addresses are shown in section 2.2 and 2.2.1. Following is a description of the Permit Area.

<u>Permit Area</u>			
A.	T16S, R7E SLBM	Sec.	14 SW 1/4, SE 1/4
		Sec.	23 E1/2, E1/2 W1/2
		Sec.	24 W1/2, W1/2 E1/2
		Sec.	25 NW1/4 NW1/4, E1/2 NW1/4, SW1/4 SW1/4, E1/2 SW1/4
		Sec.	26 NE1/4 NE1/4, NW1/4 NE1/4, N1/2 SW1/4 NE1/4 and the access/haul road and topsoil storage area as shown on Plate 2-1.
B.	T16S, R7E SLBM	Sec.	13 W 1/4
		Sec.	24 E1/2 SE1/4, SE1/4 NE1/4
	T16S, R8E SLBM	Sec.	19 S1/2 NW1/4, SW1/4, SW1/4 SE1/4
C.	T16S, R7E SLBM	Sec.	25 SW1/4 NW1/4, NW1/4 SW1/4
D.	T16S, R7E SLBM	Sec.	25 E1/2
	T16S, R8E SLBM	Sec.	30 W1/2, W1/2 NE1/4, NW1/4 SE1/4
		Sec.	31 NE1/4 NW1/4, NW1/4 NE1/4

Note: Letter corresponds with ownership shown in Table 2-1.

The lease guarantees Co-Op the right to mine and remove from, and use for purposes incident to mining, including access roads, camp facilities, surface operations, storage of coal, and other activities; also unrestricted use of all access roads leading to and from the property. A total of 3,336.18 acres are included in the permit area.

See Appendix 2-B Title Insurance Policy and Property Title.

Same as above.

Mr. Charles Reynolds  
Co-Op Mining Co.  
P. O. Box 1245  
Huntington, Utah 84528  
(801) 687-2450

Employer: C.W. Mining Company is a corporation in the state of Utah. C.W. Mining Company is the payor of the abandoned mine reclamation fee.

Federal Identification Number: 87-0399230

Officers and Directors of the Applicant

Name	Title	Address	Start Date
B. W. Stoddard	President	P.O. Box 300, Huntington, Ut 84528	01/01/76
C. W. Reynolds	Vice Pres.	P.O. Box 1245, Huntington, UT, 84528	07/01/04
D. J. Sanders	Sec./Treas.	53 West Angelo Ave., S.L.C., Ut 84115	06/17/93
C. W. Reynolds	Mine Manger	P.O. Box 1245, Huntington, UT, 84528	07/01/04

C/015/021/Utah Division of Oil Gas and Mining  
C/015/025 Utah Division of Oil Gas and Mining

Plate 2-2 shows surface ownership and Plate 2-3 displays sub-surface ownership for the permit area and parcels of land contiguous to the permit boundaries.



No. NPL- 0601-310000

**AGREEMENT FOR BOND**

THIS AGREEMENT ("Agreement") is made and entered into this 28th day of June, 2001, by and between **LYNDON PROPERTY INSURANCE COMPANY**, a Missouri corporation, whose address is 520 Maryville Centre Drive, Suite 500, St. Louis, Missouri 63141-5815 ("Surety") and **CW MINING COMPANY** having an address of 53 West Angelo Avenue, Salt Lake City, Utah 84115 (if more than one entity, collectively "Principal").

**WITNESSETH:**

Upon request by Principal as evidenced by Principal's execution of this Agreement, and upon the express condition that this Agreement be executed, Surety has agreed to provide Surety Bonds ("Surety Bond") in favor of the Obligees on behalf of and in the name of Principal, or its Affiliates to guarantee Principal's performance of Reclamation pursuant to the Reclamation Plan for Principal's Permits or other obligations which Principal shall list for Surety prior to any Surety Bonds being executed pursuant to this Agreement. Any Surety Bond executed pursuant to this Agreement shall be incorporated by reference as an Exhibit hereto upon its execution; and

**WHEREAS**, Principal and any Guarantor have a substantial and beneficial interest in the obtaining of the Surety Bond and/or in Surety's refraining from canceling said Surety Bond; and

**WHEREAS**, Principal expressly agrees that, upon Surety's acceptance of the application from a representative of Principal, the execution of a Surety Bond shall constitute in each instance a request from Principal that Surety assume suretyship, both prior and subsequent to the execution of this Agreement and any Guaranties and each such Surety Bond, obligation, continuation, extension, alteration and renewal shall be within the provisions of the Agreement and any Guaranties;

**WHEREAS**, if Cumberland Surety, Inc. procures the execution of any Bonds by Lyndon Property Insurance Company, Inc. or other companies, or executes such Bonds with reinsuring companies, for Principal or its Affiliates, whether prior to or subsequent to the execution and delivery of this Agreement then all the terms and conditions of this Agreement shall apply and operate for the benefit of such other companies, cosureties, and reinsurers as their interest may appear; and

**WHEREAS**, Surety has and shall rely upon the financial statements and other information which Principal and any Guarantor have supplied to Surety as the basis upon which Surety has or may issue its Surety Bond on behalf of Principal.

**NOW, THEREFORE**, in consideration of the premises and the promises herein contained, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, unless the context otherwise requires, or it is expressly provided to the contrary, through regulatory amendment the Department changes a parallel definition, the following terms shall have the following meanings:

"Affiliate" or "Affiliated Company" means any person or entity that directly, or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the person or entity specified.

"Bonded Area" means the Permit Area or portion thereof which is covered by a reclamation Surety Bond or any Surety Bond issued by Surety.

"Combined Escrow Obligation" means the total of all outstanding Total Escrow obligations of the Principal and its Affiliates for all Agreements with the Surety.

Rev. 02/01  
0201-1-A  
Non-Coal/Coal

"Department" means any regulatory authority having jurisdiction over the acceptance and release of Bonds executed pursuant to this Agreement.

"Disturbed Area" means an area where vegetation, topsoil or overburden is removed or upon which topsoil, spoil, coal processing waste, underground development waste, or non-coal waste is placed by mining operations. A "Disturbed Area," as defined herein, shall continue to be classified as such until Reclamation is complete and the Surety Bond is released by the Department.

"Escrow Account" or "Collateral Escrow Account" means that collateral provided in order to satisfy the obligations created by this Agreement.

"Method of Operation" means a plan or method of operation for Mining and Reclamation Operations approved by the Department.

"Mining and Reclamation Operations" means mining, conservation and reclamation activities conducted and all activities necessary and incident to the Reclamation of such operations.

"Notice of Violation" means a Noncompliance and Order for Remedial Measures or a written document or order prepared by an authorized representative of the Department; or any document issued by a state or federal agency with jurisdiction over the Operation, which sets forth with specificity the violations which the authorized representative of the Department determines to have occurred based upon his inspection, and the necessary remedial actions, if any, and the time schedule for completion thereof, which the authorized representative deems necessary and appropriate to correct the violations.

"Obligee" means a person or entity in favor of whom the Surety Bond is issued.

"Operation" or "Operations" means mining Operations, including all of the premises, facilities, roads and equipment used in the process of producing coal or non-coal from a Permit Area, or any area for which the bond is issued, or removing overburden for the purpose of determining the location, quality or quantity of a natural deposit, or the activity to facilitate or accomplish the extraction or removal of an element from the Permit Area.

"Order for Cessation" means an Order for Cessation and Immediate Compliance" or a written document or order issued by an authorized representative of the Department, or any document issued by a state or federal agency with jurisdiction over the Operation, when a Principal has been issued a Notice of Noncompliance and Order for Remedial Measures or any document issued by a state or federal agency with jurisdiction over the Operation and has failed to comply with the terms thereof, within the time limits set forth therein or as subsequently extended, or the authorized representative finds any condition or practice or any violation of any statute or regulation or any condition of a permit or exploration approval which creates an imminent danger to the health or safety of the public or is causing or can reasonably be expected to cause significant, imminent environmental harm to land, air or water resources.

"Permit" means the written approval issued by the Department to the Principal to conduct Mining and Reclamation Operations, including any amendments or revisions thereto, subject to the provisions of Section 2, herein. As used herein, "Permit" or "Permits" shall mean any or all permits listed on attached Schedules or any other permit for which Surety has issued a Bond under this Agreement.

"Permit Area" means the area of land and water within boundaries designated in the approved Permit application, which shall include, without limitation, all areas which are or will be affected by Mining and Reclamation Operations under the Permit.

"Premium" means the total premium payment for all Surety Bonds or any premium assessed for any one Surety Bond under this Agreement.

"Reclamation" means the reconditioning and restoration of areas affected by mining operations as required by all applicable statutes and regulations.

"Reclamation Plan" means a plan for reclamation of the Permit Area approved by the Department.

"Surety Bond" or "Bonds" means the reclamation bonds or other bonds of the Principal secured by the indemnity agreement provided by the Surety to the Department or other Obligee on behalf of Principal in

order to guarantee Principal's Reclamation obligations on the Permit Area or to guarantee other obligations of Principal.

"Total Escrow" means collateral assessed and requested at any time during the term of this Agreement, at Surety's sole discretion, and which shall constitute the Collateral Escrow Account.

2. Issuance of Surety Bond. Surety shall consider issuance of Surety Bonds in an aggregate amount not to exceed **One Million Eight Hundred Twenty-Five Thousand Dollars (\$1,825,000.00)** to the Department or other Obligor upon Principal's and any Guarantor's execution of this Agreement so long as Principal and Guarantors meet and continue to meet underwriting criteria. The Surety Bonds shall operate to the benefit of Principal and its Affiliates and of Principal's Permit(s), including any amendments or revisions thereto by the Department or Obligor from time to time; provided, that the Surety Bonds shall not operate for the benefit of any such revisions or amendments which increase or alter the acreage of or the risks associated with the Permit or the Permit Area. Nothing in this Agreement shall be construed to require Surety to assume suretyship and obligations or execute Surety Bonds or to assume continuation, extension, alteration or renewal thereof, or to deprive Surety of any right to withdraw from such suretyship at any time it desires, except as set forth in any prior Surety Bond.

If Cumberland Surety, Inc. procures the execution of any Bonds by other companies, or executes such Bonds with reinsuring companies, for Principal or its Affiliates, whether prior to or subsequent to the execution and delivery of the Agreement then all the terms and conditions of this Agreement shall apply and operate for the benefit of such other companies, cosureties and reinsurers as their interest may appear.

3. Payment of Premiums. Principal, or upon Principal's default any Guarantor, shall pay to Surety a total Premium of 1.25% of the face amount of all Bonds executed pursuant to this Agreement, payable upon issuance of each Surety Bond and due annually thereafter on the anniversary date of the date each Surety Bond is executed by Surety. Principal shall pay to Surety all premium surcharge tax required by applicable law.

3.1 Time and Amount of Payment. The first year's annual Premium shall be paid in full upon execution of this Agreement. All Premium beginning one (1) year after the date of this Agreement shall be due on or before the annual anniversary date of the execution of the Surety Bond pursuant to Paragraph 3 until Surety is released from liability on the Surety Bond as evidenced by the return of the Surety Bond to Surety. The terms and conditions of the Riders referred to herein are incorporated herein and made a part of as fully as if stated herein. Appropriate premium surcharge tax will be added to the Premium due. The provisions of Section 10 hereof shall apply if Principal shall fail to pay any Premium within ten (10) days from its due date if any is required by local, state or federal law. Payments shall be made to Surety at the office of its agent.

3.2 Obligation to Pay Entire Premium. The obligation of Principal or, upon Principal's default, any Guarantor hereunder to pay the Premium shall be continuous and shall survive the term of this Agreement. The Principal, or upon Principal's default, any Guarantor shall have all obligations listed herein, including all premium payments, fees and taxes, despite the Principal's failure to undertake mining or completion of any mining or disturbance of the Permit Area.

4. Collateral Escrow Account. During the term of this Agreement, the Principal or in the event of Principal's default, any Guarantor shall provide to Surety, collateral ("Total Escrow") to be paid as provided herein and in the Rider or Riders executed by Principal and Surety for this Agreement. The collateral identified in the Riders shall constitute the Collateral Escrow Account. The terms and conditions of the Riders referred to herein are incorporated herein and made a part hereof as if fully stated herein.

4.1 Master Trust Agreement. Principal shall make the deposits and purchase of collateral required by the Riders, which deposits and collateral shall be subject in all respects to the terms of this Agreement and a Master Trust Agreement dated May 18, 1987 (the "Master Trust Agreement") between Surety and Chase Manhattan Trust Company, Successor Trustee to PNC Bank, Kentucky, Inc. ("Trustee") a copy of which has been provided to Principal and the provisions of which Principal hereby represents that it understands and accepts. All collateral required to be paid to Surety for the Collateral Escrow Account, pursuant to this Agreement and the Riders, shall be delivered to the Trustee, to be held as part of a Master Trust Account established by the Master

Trust Agreement, solely for the benefit of Surety. All sums deposited by Principal or on behalf of Principal shall be held as part of the Master Trust Agreement and accounted for by Surety as a separate sub-trust account. Principal acknowledges that upon termination of the sub-trust account, the proceeds will be paid as Surety directs and as provided herein, and Trustee shall have no liability or obligation to Principal with respect to payment of or accounting for the proceeds of the sub-trust account. Any net income less Trustee's fees earned in the Master Trust Account and allocated to a sub-trust account by Surety shall be paid as Surety may direct. Principal understands and agrees that fees incurred by Trustee and Surety, or both, in the administration of the Master Trust Account will be charged to income and then to corpus of the account and will be allocated by Surety among the sub-trust accounts of all participants on a pro rata basis.

5. Operating Covenants of Principal. Principal, or upon default of Principal, Guarantor, shall, during the term of this Agreement:

[i] make or cause to be made all reports to the Department or other governmental authorities that may be required by all applicable statutes, ordinances, rules or regulations of the Department and any state, federal or local governmental authority, with respect to Reclamation on the Permit Area;

[ii] comply with all applicable rules, regulations and laws of any state, federal or local governmental authority pertaining to or regulating Operations;

[iii] comply with the requirements of the Reclamation Plan, as approved by the Department and as amended from time to time, or other bonded contract;

[iv] furnish Surety with a copy of the Permit or contract promptly after its receipt by Principal;

[v] furnish Surety with a copy of Principal's mining application promptly upon Principal's application for the Surety Bond, all revisions or amendments, and applications and approvals thereto from time to time;

[vi] in the event of default, make available to Surety for examination and copying such books, records and accounts of Principal pertaining to Principal's Mining and Reclamation Operations on the Permit Area, or to Principal's contract or Operation, as shall be requested by Surety from time to time during the term of this Agreement.

[vii] implement and complete work on the contract or Operation, or Reclamation on the Permit area, carefully and diligently in accordance with the Reclamation Plan, the Method of Operation and the Permit, and all applicable laws, rules and regulations and immediately remedy or correct any violation contained in a Notice of Violation and Order for Cessation or any other document issued by the Department upon Principal's receipt of same;

[viii] promptly notify Surety, and furnish Surety with a copy, of any Notice of Violation or Order for Cessation or any other document issued by the Department received by Principal;

[ix] promptly notify Surety in writing at least five (5) days before Department's issuance of any major revision or amendment to the Permit, and furnish Surety with copies, of any amendments and revisions of the Permit or of the Reclamation Plan; and

[x] promptly notify Surety of any temporary shutdown of Mining and Reclamation Operations or other bonded Operation which is expected to or does in fact exceed seven (7) days;

[xi] annually supply Surety with complete and accurate financial statements and other financial statements as Surety may request from time to time; and

[xii] in consideration of the issuance of Bond(s) and of the premises, Principal and any Guarantor hereby agree for themselves, their successors and assigns, to at all times indemnify and save Surety, its successors and assigns, harmless from and against any and all claims, suits, actions, debts, damages, costs, charges and expenses, including court costs and attorneys' fees, payable on demand of Surety, whether actually incurred or not, and against all liability, losses and damages of any nature whatsoever, whether actually incurred or not, that Surety shall or may at any time sustain or be put to by reason of the execution by Surety of any and all such Bonds, obligations, or any continuations, extensions, alterations or renewals

thereof, and any new Bond or obligation. Should Surety request collateral security on the Bonds, Principal, and any Guarantors shall deposit said sum upon demand of Surety.

[xiii] promptly engage, within fourteen (14) days of Principal's execution of this Agreement, at Principal's expense, an engineer or construction consultant approved by Surety ("Consultant") to perform the following functions, including but not limited to these services: site visits; video, still or digitally produced images of bonded sites; reclamation cost analyses for active and inactive bonded sites; monitoring of outstanding violations provided to Surety as in 5[viii] above; suggestions for permit revisions to expedite bond release; reports of the information included in this Paragraph 5[xiii] for use by Surety, at its request on a schedule not less than ninety (90) days, except as otherwise deemed appropriate by Surety. No Bonds shall be executed by Surety until the consultation has been approved as provided herein.

6. Inspections by Surety; Deviations from Reclamation or Contract Requirements. Surety, and its designated agent or agents, shall have the right to inspect the Permit Area and Principal's Mining and Reclamation Operations or other bonded Operations at such times as Surety shall deem reasonably necessary.

6.1 Access to Operation or Permit Area. Principal shall provide Surety, and its designated agent or agents, access to the Permit Area for the purpose of ensuring Principal's compliance with the Reclamation Plan, the Method of Operation and this Agreement and for the purpose of conducting inspections of the Permit Area. Principal hereby grants to Surety, and its designated agent or agents, the rights of ingress and egress as accepted by the regulatory agency on the Permit Area for such purposes, and any access the Surety deems necessary to carry out the provisions of Section 7 herein.

6.2 Notice of Deviations. If Surety shall, upon inspection of the Operation or Permit Area, discover or observe any deviation or potential deviation from the Reclamation Plan, the Method of Operation, the requirements of the Permit or the provisions of this Agreement, or if Surety shall discover or observe any conditions which might, in Surety's judgment, constitute a potential deviation, Surety may, in its sole discretion, give written notice to Principal, which notice shall specify such deviations, potential deviations or conditions and the reasonable time within which Principal shall remedy or correct the same.

6.3 Remedy. Within such time as Surety specifies in its written notice to Principal, Principal shall remedy or correct, or perform such Reclamation or remedial work as shall be necessary to remedy or correct, the deviations, potential deviations or conditions set forth in Surety's written notice to Principal.

7. Surety's Right to Perform Reclamation. Surety shall have the right, in addition to all other remedies available to Surety by law, to enter the Operation or Permit Area, without notification to Principal, and to perform such Reclamation or remedial work on the Permit Area or Operation as Surety shall deem necessary, upon the occurrence of any of the following:

[i] Principal shall fail to perform Reclamation in accordance with the Reclamation Plan, the Method of Operation, this Agreement or applicable laws, rules, or regulations or to correct or remedy any deviation or potential deviation from the Reclamation Plan, the Method of Operation or the requirements of the Permit within the time required or as set forth in Surety's written notice to Principal, if any; or

[ii] Principal shall fail to immediately correct or remedy any violation contained in a Notice of Violation, and Order for Cessation or any other document issued by the Department upon receipt of the same by Principal from the Department, any other governmental authority; or

[iii] Principal shall fail to cooperate with Surety in Surety's performance of Reclamation on the Permit Area, pursuant to this Section 7. Principal acknowledges that in the performance of Reclamation, time is of the essence. Principal, or upon Principal's default, any Guarantor shall reimburse Surety for all costs, expenses and attorneys' fees, incurred by Surety for any and all Reclamation performed by Surety, or on behalf of Surety or by its employees, agents or contractors on the Permit Area under this Section 7.

8. At any time during the term of this Agreement, Surety shall have the right, but not the obligation, to make written application to the Department, or other Oblige, on behalf of Principal for any release of

Surety's bond liability to the Department or other Obligor.

8.1 Replacement of Surety Bond. At any time during the term of this Agreement, Surety may apply any collateral or proceeds of collateral in such amount as may be necessary to provide acceptable surety on the Permit Area, or any Permit Area for the remaining liability of Surety to the Department or other Obligor. At Surety's discretion, such bond substitute may be in any form acceptable to the Department or Obligor.

9. Use of Collateral. Surety shall have the right but not the obligation, in addition to all other remedies then available to Surety, to use such sums provided as collateral pursuant to Section 4, at such time as Surety shall deem necessary or appropriate, upon the occurrence of any of the following:

[i] Principal shall fail to pay any Premium when due on any Surety Bond, as provided in Section 3 of this Agreement.

[ii] Principal shall fail to perform its obligations under any Bond, or to perform Reclamation on this Permit Area, in accordance with the Reclamation Plan or correct or remedy on any Permit Area any deviation or potential deviation from the Reclamation Plan, the Method of Operation or the Permit set forth in Surety's written notice to Principal, if any;

[iii] Surety elects, for any reason in its sole discretion, to replace the Surety Bond with a substitute bond in any form acceptable to the Department or other Obligor;

[iv] Surety elects, in its sole discretion, to pay the full amount of a Bond to an Obligor or to the Department upon any order of the Department declaring Bond forfeiture;

[v] as may be otherwise permitted under the provisions of Section 8 hereof; and

[vi] as may be otherwise permitted under the provisions of Section 10 hereof.

Except for withdrawals authorized by Section 9[v] any sums withdrawn from the Escrow Account pursuant to Section 9 shall, within thirty (30) days, be replaced by Principal in manner satisfactory to Surety in its sole discretion. In the event of said withdrawal, Principal agrees to execute all additional Riders deemed necessary by Surety in order to insure that the Combined Escrow Obligation created by this Agreement is met within a time frame established by Surety in its sole discretion.

Default and Remedies. If Principal defaults in the performance of any of its obligations hereunder and, except as otherwise set forth below, said default is not cured within fifteen (15) days after written notice thereof to Principal, Surety shall have its common law and statutory rights and remedies and rights including but not limited to the following:

[i] to obtain a decree of specific performance requiring Principal and Guarantor to perform any and all of the obligations under this Agreement;

[ii] to recover from Principal and Guarantor a sum equal to (a) one hundred percent (100%) of the face amount of the Surety Bond less any collateral or proceeds of collateral applied to Principal's obligation to Obligor, plus (b) for the purpose of Premium, a recalculation of Premium due based upon five percent (5%) of the face amount of the Surety Bonds less any amounts paid to Surety pursuant to Section 3 herein, plus (c) all of Surety's costs and expenses, including attorneys' fees or other fees incurred in the participation in any civil, administrative or other proceeding or collection of accounts, including but not limited to, fees incurred in the collection of accounts or the collection or satisfaction of any judgment rendered in Surety's favor hereunder, or incurred by Surety in any appearance before the Department or other administrative agency in regard to a Surety Bond, for enforcing Surety's rights under this Agreement or resulting from Principal's default under this Agreement.

[iii] to order Principal to immediately cease Mining, but not Reclamation Operations on the Bonded Area; and

[iv] to recover any and all costs and expenses, including attorneys' fees expended by Surety in performing any Reclamation pursuant to Section 7 hereunder. Surety may also recover interest and the amount of any costs expended should the Principal fail to reimburse Surety within thirty (30) days of written request.

[v] to request, and be provided, within fifteen (15) business days of written notice of default to Principal, a written commitment from another insurance company or other form of surety, to replace the Bonds, which commitment shall be satisfactory to Surety as determined by Surety in its absolute discretion.

With respect to a default by Principal in its performance of Reclamation hereunder, Surety shall have the right, and without the necessity of waiting fifteen (15) days, in addition to all other remedies available to Surety hereunder, to obtain immediately a decree of specific performance and mandatory injunction requiring Principal to perform its Reclamation obligations hereunder.

10. Further Assurance. Principal shall use its best efforts and will cooperate with Surety and take such other actions as are necessary or convenient to consummate and give effect to the terms and conditions of this Agreement.

11. Appointment of Attorney-in-Fact. Principal, by the execution of this Agreement, irrevocably constitutes and appoints Surety or its duly appointed designee its true and lawful attorney-in-fact or attorneys-in-fact with full power and authority in his name, place and stead to execute, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to carry out the provisions of the Agreement. Principal shall execute a Limited Power of Attorney, a copy of which shall be affixed to the Surety Bond.

12. Termination. This Agreement shall commence upon Surety's delivery of the Surety Bond to the Department or other Oblige and shall terminate at such time as [i] Principal shall have satisfied all of its obligations to the Oblige, or to the Department with respect to Reclamation of this Permit Area and to Surety under this Agreement and [ii] all of Surety's liability and obligations to an Oblige, or to the Department on all Permit Areas of Principal, shall have been released. Remedies of Surety shall survive any termination of this Agreement.

13. Representations of Principal. Principal hereby represents and warrants that [i] any and all statements made by Principal to Surety in order to induce Surety to enter into this Agreement, including Principal's written application for the Surety Bond to be provided hereunder, were true and correct on the date such statements were made and are true and correct as of the date hereof;

[ii] Principal is familiar with all applicable rules, regulations and laws pertaining to Principal's Mining and Reclamation Operations; and [iii] Principal shall, in its performance of Mining and Reclamation Operations on the Permit Area during the term of this Agreement, remain current with all Reclamation requirements.

14. Assignment by Principal. Principal and Guarantor may not assign or transfer their rights, duties or obligations under this Agreement to any other party without the prior written consent of Surety. Consent may be given or withheld at the Surety's sole discretion. Any change of control or ownership by Principal or Guarantor pursuant to any term of this Agreement shall be deemed an assignment prohibited hereunder.

15. Waiver; Applicable Law. The waiver of a breach of any term, covenant or condition contained herein, whether express or implied, shall not constitute a waiver of any subsequent breach thereof, or a breach of any other term, covenant or condition herein contained. This Agreement shall be construed according to and governed by the laws of the Commonwealth of Kentucky.

16. Final Agreement. Principal, Guarantor and Surety agree and understand and intend that this Agreement is the final expression of their agreement and is a complete and exclusive statement of the terms of their agreement. No modification, waiver, representations or avoidance of any of the terms of this Agreement shall be valid unless in writing and signed by the Surety.

17. Settlement of Claims. Surety shall have the right and authority to adjust, settle or compromise any claim, demand, suit or judgment arising from, out of or with respect to the Surety Bond.

18. Consent to Jurisdiction and Venue. As to disputes or matters between or involving the Principal or any Guarantor of Principal and Surety, Principal and any Guarantors hereby consent to the jurisdiction and venue of the circuit courts of Fayette and Franklin Counties, Kentucky. Principal waives personal service of any and all process upon it, and consents that all such service of process be made by certified mail or registered mail, return

receipt requested, postage prepaid, directed to Principal at the address provided in this Agreement, and service so made shall be deemed to be complete three (3) days after the same shall have been posted as aforesaid.

19. Notices. Any notice, report or other communication required or permitted to be delivered hereunder shall be deemed to have been properly delivered after it is deposited, first class mail, postage prepaid, addressed to the party intended, at its address provided to Surety upon application for bonding, or at such other address as such party may specify in the manner aforesaid.

20. Successors and Assigns. Except as otherwise provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

21. Reinsurance. This Agreement shall inure to the benefit of any entity which assumes reinsurance upon the Surety Bond.

22. Taxes and Insurance Surcharges. If applicable, Principal and Guarantor shall remit to Surety all sums representing municipal or other taxes or insurance surcharges imposed as a result of this Agreement, within ten (10) days of notice of such sum.

24. Payment. Payment of moneys as collateral under this Agreement shall be made to Surety at its Agent's offices, Cumberland Surety, Inc. at 367 W. Short Street, Lexington, Kentucky 40507.

25. Waiver of Notice. Principal and any Guarantor hereby waive notice of execution of Surety Bonds and of the acceptance of this Agreement, as well as notice of any and all liability except as specifically provided by this Agreement.

26. Application for Surety Bond. Application for any Bond or obligation of suretyship may be made by Principal or the officers, agents or employees of Principal. Such applications, whether made on forms supplied by Surety or by letter, telegraph, facsimile, telephone, or personal interview, shall be regarded as sufficient and ample authority for Surety to execute or procure such Surety Bond or obligation of suretyship.

27. Termination. This Agreement may be terminated by Principal upon twenty (20) days' written notice sent by registered mail to Surety at the address listed above, but any such notice of termination shall not operate to modify, bar, or discharge Principal or any Guarantor as to all obligations under the Agreement as to Surety Bonds that may have been theretofore executed.

28. Release of Surety. Upon delivery by Surety of all unused collateral and acceptance by Principal of such amounts after all Principal's obligations under the Agreement and Bonds are fulfilled, the Surety shall be forever released, discharged, and relieved of any and all liabilities or obligations created pursuant to this Agreement.

29. Representations. The undersigned represent to Surety that they have carefully read the entire Agreement and that there are no other Agreements or understandings which in any way lessen or modify the obligations set forth herein; that they have had the opportunity to have reviewed this agreement with counsel of their own choosing and failing to do the same acknowledge the waiver of the right to do so.

30. Guarantor(s). The Guarantor(s) have executed this Agreement to evidence the Guarantor(s) intent to be bound by the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Lyndon Property Insurance Company  
c/o Cumberland Surety, Inc.  
367 West Short Street  
Lexington, Kentucky 40507

LYNDON PROPERTY INSURANCE  
COMPANY

By:

  
ATTORNEY-IN-FACT



C W Mining Company  
53 West Angelo Ave.  
Salt Lake City, Utah 84115

PRINCIPAL: CW MINING COMPANY  
By: BW Stoddard  
BW STODDARD  
Title: President

CW Mining Company  
53 West Angelo Ave.  
Salt Lake City, Utah 84115

GUARANTOR: CW MINING COMPANY  
By: BW Stoddard  
BW STODDARD  
Title: President

STATE OF KENTUCKY )  
COUNTY OF FAYETTE )

Subscribed and sworn to before me by Deborah A. Murphy Attorney-in-Fact of Lyndon  
Property Insurance Co., this the 3rd day of July, 2001.  
My Commission expires: 11-21-02

( Notary Seal )

Christine Stapleton  
Notary Public, State-at-Large (KY)

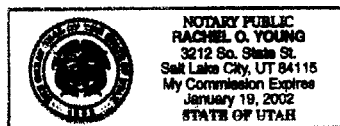
STATE OF Utah )  
COUNTY OF Salt Lake )

Subscribed and sworn to before me by B W Stoddard, President of CW Mining Company as Principal and  
Guarantor this the 29 day of June, 2001.

My Commission expires: 1-19-2002

( Notary Seal )

Rachel O. Young  
Notary Public, State-at-Large



Rev. 02/01  
0201-5

No: NPL - 0601-310000

**LETTER OF CREDIT COLLATERAL  
RIDER TO AGREEMENT**

THIS RIDER (the "Rider") is effective on the date set forth herein and amends and supplements the provisions of a certain Agreement for Bond ("Agreements") dated June 28, 2001, between LYNDON PROPERTY INSURANCE COMPANY, ("Surety"), a Missouri corporation and the undersigned (collectively "Principal"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

This Rider and any other Riders executed in regard to the Agreement, together establish the means by which the Principal may satisfy the obligation to provide a Collateral Escrow Account and Combined Escrow Obligation to Surety pursuant to numbered paragraph 4 of the Agreement.

1. Establishment of Letter of Credit. Principal shall obtain from any federally insured depository (the "Issuer") and provide to Surety a Letter of Credit ("LOC") in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) issued in favor of Surety in a form acceptable to Surety. This LOC shall be payable to Surety upon Surety's written demand to Issuer and shall be credited to the Collateral Escrow Account provided by Principal to Surety as security for Principal's performance under the Agreement, and any other agreement between Surety and Principal.

Except as amended hereby the provisions of the Agreement, including the representations, warranties and covenants of Principal therein, are hereby re-adopted and re-affirmed as fully as if set forth therein.

Effective Date: June 28, 2001.

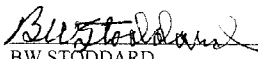
LYNDON PROPERTY INSURANCE COMPANY

By:

  
ATTORNEY-IN-FACT

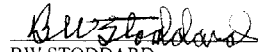
PRINCIPAL: CW MINING COMPANY

By:

  
BW STODDARD  
Title: President

GUARANTOR: CW MINING COMPANY

By:

  
BW STODDARD  
Title: President

STATE OF KENTUCKY )  
 )  
COUNTY OF FAYETTE )

Subscribed and sworn to before me by Deborah A. Murphy Attorney-in-Fact of Lyndon Property Insurance Co., Inc., this the 3rd day of July, 2001.

My Commission expires: 11-21-02

( Notary Seal )

Kristine Stapleton  
Notary Public, State-at-Large (KY)

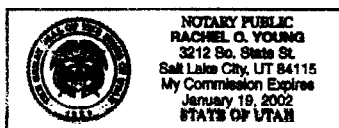
STATE OF Utah )  
 )  
COUNTY OF Salt Lake )

Subscribed and sworn to before me by B W Stoddard as President of C W Mining Company as Principal and Guarantor on this the 29 day of June, 2001.

My Commission expires: 1-19-2002

( Notary Seal )

Rachel O. Young  
Notary Public, State-at-Large



LIMITED POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That I, B W Stoddard, President of CW Mining Company ("CW Mining"), do hereby make, constitute and appoint Lyndon Property Insurance Company c/o Cumberland Surety, Inc., 367 West Short Street, Lexington, Kentucky 40507 ("Lyndon") a Missouri corporation or its Designee, Cumberland Surety, Inc., a Kentucky corporation, 367 West Short Street, Lexington, Kentucky 40507, my true and lawful attorney-in-fact or attorneys-in-fact (hereinafter "my attorney"), for me and in my name, place and stead upon default of CW Mining in its obligations to Lyndon or the regulatory authorities having jurisdiction over the acceptance and release of bonds ("Department"), to transact, handle and execute reclamation for any and all surety bonds issued or procured in CW Mining's name by Lyndon at any time and on file with the Department and to take all action deemed necessary or appropriate by my attorney with respect to said bond(s), including executing such documents on my behalf as may be necessary to obtain the release of the same.

Persons dealing with my attorney from time to time need not look to the application of monies or other considerations passing to my attorney.

This instrument is intended to, and does hereby grant to my attorney full power and authority to do and perform all and every act and thing whatsoever requisite, necessary and proper to be done, in the exercise of any of the rights and powers herein granted, as fully, to all intents and purposes, ratifying and confirming all that my attorney shall do or cause to be done by virtue thereof.

This Power of Attorney shall not be affected by my adjudication as an incompetent and shall continue in full force and effect throughout any period in which I may be incompetent.

The rights, powers and authority of my attorney shall be irrevocable by the undersigned.

IN WITNESS WHEREOF, I have hereunto set my hand at Salt Lake City, UT this 29 day of June, 2001.

CW MINING COMPANY  
NAME OF ENTITY

BY: BW Stoddard  
BW STODDARD  
TITLE: President

STATE OF Utah )  
COUNTY OF Salt Lake )

The foregoing instrument was acknowledged before me by BW Stoddard as President of CW Mining Company on this the 29 day of June, 2001.

My Commission Expires: 1-19-2002



Rachel O Young  
NOTARY PUBLIC STATE-AT-LARGE

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